A Big Victory for the Great Deal : Sale of Property in China

Description

I have to say congratulations to our own team! We have just closed a great deal for our client in selling their house in downtown Shanghai, the French Concession Area ?????.

The three-story house is the client's ancetral property that has been built for almost 100 years, a western styled building in the best location of Shanghai. What's more, this stand-alone house has even a nice garden which is rare and precious due to its scarcity in that locality. French Concession Area is the most expensive part of Shanghai, a mixture of western and Chinese cultures, home to a lot of high-ranking officials of Shanghai municipal government, thus quiet, clean and safe.

When selling a property like that, the problem is that you don't readily have any benchmark price to compare to since there is simply no other property in local market that is the same or similar.

Well, it doesn't mean there is no price or no market, it just means that it is difficult for the owner to pinpoint a specific price which can be said to be reasonable. Finally the client has decided on his asking price of RMB 120 million out of which he shall be paying taxes and the land grant fee, which will render his net proceeds well below RMB 100 million.

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As his lawyer helping with the sale of the property, I believe for such a unique property with interesting story behind, their must be good buyer who is willing to pay a good premium for the property. So in order to attain the best potential, I set the asking price at RMB 180 million even though I kind of doubt the good prospect of a sale at all, esp against the backdrop that Shanghai local property market has been calm for some time.

It is indeed a big surprise to see the active feedback in the market and a good number of people have been requesting the view the property and we have really been busy in organizing visits by prospective buyers. It is a surprise mainly because I didn't expect so many people to be interested in a property of that size at such a high price.

When there are a lot of prospective buyers, this is where we can take advantage of the competition to maximize the client's interests, namely, finding the best price. This is the point that will distinguish a real estate lawyer like me from a real estate realtor, at least in China. Sometimes clients don't appreciate this point thinking a lawyer doesn't have the access to the prospective buyers and is not worth spending money on. A realtor doesn't have to maximize the benefits of the sellers, nor does he have the chance. Very often, they will try to bargain down the price to meet the expectation of the buyers in order to strike a deal. There is a particular market condition to consider in China property market: sellers often request a so called "net price" whereby all seller's taxes and fees (including realtor commission) are to be assumed by the buyer. Due to this practice, realtors don't have any incentive or interests to help the sellers to get a higher price, but exactly the opposite: bargain to lower the price in favor of the buyer who is the party paying commission to realtors.

That explained, we finally secured a deal at RMB 140 million for the seller, a sheer RMB 20 million

more than the client’s expectation.

Even in a much smaller deal, we often help clients to attain a better price, though less likely.

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